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Report Highlights:

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General Information:

Welcome to the Russian Far East Agricultural Policy and Situation Update, a summary of issues of interest to the U. S. agricultural community. The report includes information that has been garnered during travel within Russia, reported in the local media, or offered by host country officials and agricultural analysts. Press articles are included and summarized in this report. Significant issues will be expanded upon in subsequent reports from this office. Minor grammatical changes have been made for clarification.

DISCLAIMER: Any press summary contained herein does NOT reflect USDA's, the U.S. Embassy's, or any other U.S. government agency's point of view or official policy.

Medvedev to Oversee Business in Russia's Far East and Siberia.

According to *RIA Novosti*, Prime Minister Dmitry Medvedev announced that he will take personal control of a government drive to improve the business climate in Siberia and RFE.

"Special conditions will be created for entrepreneurs running their own businesses [in Siberia or the Far East]," Medvedev told the annual Gaidar Economic Forum in Moscow. "I will be personally engaged with this." The Kremlin has made development of Russia's remote regions in the east of the country a national priority in recent years. President Vladimir Putin created a Ministry for the Development of the Russian Far East (Minvostokrazvitia) at the start of his third presidential term in 2012. Medvedev said that he would supervise the application of financial incentives in Siberia and the Far East that include a five-year grace period for income, land and property taxes, and a reduction in insurance contributions. The government approved an investment program last year that allocated a minimum of 100 billion rubles (US \$3.2 billion) annually to eastern Siberia and the RFE. Russian government policy in the RFE in recent months has been marked by a rapid turnover of senior officials. The new RFE development minister was dismissed last year after criticism from Putin, who appointed another minister in September and created the new position of presidential envoy to the RFE. The huge expanse of territory between Siberia and Russia's Pacific coast suffers acutely from decaying infrastructure, geographic isolation, extreme weather, a declining population and uncompetitive enterprises left over from the era of Soviet central planning.

<http://en.ria.ru/russia/20140115/186555060.html>

Japanese Research Group to Develop Fishery Complex.

Russia's Primorye region has tapped the Moscow branch of the Nomura Research Institute to become the project developer for the fishery cluster being established in the Russian Far East, reports *Interfax*. Nomura, a division of Japan's Nomura Group, was the only bidder in the tender, the regional administration said in a statement. The contract with the institute will be signed by the end of January. In order to carry out the work in Primorye, the institute will form an international consortium of specialized institutes with three working groups – in Tokyo, Moscow and Vladivostok. A special public commission will assess the institute's work at all stages. The first stage of work is supposed to be presented in April. Primorye governor Vladimir Miklushevsky presented the project to create a fishery cluster in the region in September 2013, at the seventh international congress of fishing companies. The cluster, which will be located in the southern part of the region, is expected to include refrigeration facilities, port and transport infrastructure and other facilities to support a complete production chain. It will also include a shopping center. <https://www.undercurrentnews.com/2014/01/16/russia-japanese->

[research-group-to-develop-fishery-complex/](#)

Commercial Port of Vladivostok Handled the First Grain Batch for Japan.

At the end of December 2013 Commercial Port of Vladivostok (VMTP) handled the first grain batch in the amount of 2.5 thousand tons for Japan. The grain was delivered in hopper railway cars from Krasnoyarsky krai (Eastern Siberia). To save time and decrease grain losses VMTP applied a new technology to dump the cars straight into the vessel's holds without reloading the grain into the port's warehouse. VMTP's technical equipment allows handling of import/ export grain without time delay and losses of quality and quantity. VMTP usually ships grain in containers and big bags. FESCO Transportation Group, the owner of VMTP plans to develop VMTP's grain handling facilities for import/ export grain in 2014 as a complement to their strategic sector of intermodal container lines.

<http://www.vmt.ru/press-tsentr/item/535-vmt-usheshno-otpravil-partiyu-zerna-na-eksport-v-yaponiyu>; <http://primamedia.ru/news/economics/14.01.2014/328891/fesco-planiruet-uvelichit-perevalku-zerna-cherez-vladivostokskiy-port-do-1-mln-to.html>

FESCO Transportation Group Launches New Regular Container Service between St. Petersburg and North America.

FESCO Transportation Group launched a new regular container service called *FESCO St. Petersburg North America* and has begun dispatching containers from ports on the East Coast of the United States to St. Petersburg. Shipments will be performed once a week from the ports of New York, Norfolk and Charleston with throughput at Rotterdam. FESCO offers through rates for transportation. Deliveries from Rotterdam to St. Petersburg are made as part of FESCO's own ESF Service, which also links other European ports (in Belgium, Germany and Italy) with St. Petersburg. Cargo that is mainly shipped from the USA includes cars, auto parts, industrial machinery, agricultural raw materials, chemical products, metals and metal products.

FESCO President Ruslan Alikhanov says that with the launch of the new service from the U.S. the company plans to increase the traffic of its *FESCO ESF* European feeder line connecting European ports in Belgium, Germany and Italy to St. Petersburg in addition to the freight traffic coming from the Southeast Asia. The new service will also allow FESCO to diversify its cargo base and customer portfolio. FESCO St. Petersburg North America is the second service from the East Coast of the U.S. to be launched recently. In September 2013, the company launched its Black Sea Service North America regular container service to Novorossiysk and Sochi. <http://www.fesco.ru/en/press-center/news/4561/>

FESCO Plans to Increase Grain Handling through the Commercial Port of Vladivostok up to 1 Million Tons Per Year.

FESCO Transport Group plans to increase grain handling through VMTP. At the end of 2013 the first grain batch for Japan in the amount of 2.5 thousand tons was handled by the port. As the Russian business daily newspaper *Vedomosti* states, in the future FESCO plans to increase grain handling through VMTP up to 1 million tons per year. Though it is not clear what amount of grain FESCO plans to handle this year. Currently containers are the major cargo that VMTP handles. Within 9 months of 2013 VMTP processed almost 350,000 twenty-foot equivalent units (TEU) and 1.5 million tons of general cargo. VMTP does not provide statistics on how much grain was processed within the above mentioned period. There is no special equipment for grain handling in the RFE; grain is processed by dumping a rail car directly to the vessel's holds. FESCO planned to build a grain terminal in VMTP in cooperation with a Japanese company Mitsui. The project was not realized. Today one of the co-owners

of FESCO, SUMMA Group (owns 32.5 percent of shares) in partnership with Objedinennaya Zernovaya Kompaniya (United Grain Company, OZK) plans to build a 5 million tons/ year grain terminal in Zarubino, another port to the South of Vladivostok. *Vedomosti* believes that increase of grain processed via VMTP is determined by a growing demand for grain in Japan. Hokkaido Japanese bank suggested the Russian Federal Ministry of Economic Development to create special economic zones (SEZ) with tax relief in Khabarovsk and Vladivostok Far Eastern regions to grow grain and other agricultural products. The bank forms a pool of investors from Japanese companies and develops a proposal on SEZ development. Japanese farmers plan to grow grain, soy and buckwheat; they already grow these products in Blagoveschensk.

RIA PrimaMedia informs that an investment project **Construction of Universal Sea Port “Zarubino Big Port”** is under development in Troitsa Bay that stipulates Khasan transport hub modernization. The projected cargo turnover is 60 million tons per year, including both transit cargo from Asia Pacific Countries, and railroad destined cargo. The construction project that will generate 1.5-2 thousand jobs will be realized by 2017.

<http://primamedia.ru/news/economics/14.01.2014/328891/fesco-planiruet-uvlichit-perevalku-zerna-cherez-vladivostokskiy-port-do-1-mln-to.html>

FESCO recorded the highest monthly container volume handled in Commercial Port of Vladivostok in November 2013.

November 2013 the record-highest month for VMTP owned by FESCO Transportation Group, and totaled 46,463 TEU. It was also the largest container volume handled via the Russian Far East (RFE) ports within one month. VMTP has experienced robust growth in container volumes since the beginning of the second half of 2013. In July-November 2013 the port handled 213, 076 TEU, 13 percent up as compared to the previous 5 months of 2013. Container traffic growth is mainly driven by new customers in South-East Asia and by the imports increase. VMTP is making continuous efforts in optimizing business and upgrading port infrastructure. FESCO Transportation Group's strategy envisages containers to be priority cargos for VMTP. During 11 months of 2013 the share of containerized cargo in the port's total cargo throughput was 63 percent, an increase by 11 percent y-o-y.

<http://www.vmtpru/en/press-tsentr/novosti/item/530-fesco-transportation-group-recorded-the-highest-ever-monthly-container-volume-handled-in-commercial-port-of-vladivostok-in-november-2013>

Commercial Port of Vladivostok handled the first ship under the program “Delivery of Cargo to the Northern Regions 2013”.

Motor vessel *Iljinsky* was loaded with approximately 700 tons of cargo (general cargo, containers, cars) to be delivered to Chukotka, namely to the ports of Provideniya, Beregovsky, Lavrentiya and Lorino. Commercial Port of Vladivostok traditionally starts summer navigation with handling tramp ships bound for the Northern regions. Shipping schedule is updated with due consideration of cargo shipment generation. In June FESCO will launch container service FESCO Anadyr Direct Line (FADL) with the regular calls at the port of Anadyr, Egvekinot, Provideniya. The first m/v *Captain Sergievsky* to be deployed on FADL will be handled on June 14. The calls to the port of Pevek are planned to be added in August. Commercial Port of Vladivostok is a major port for handling cargo destined to the Northern Regions, namely containers, petroleum and lubricants, construction materials, consumer goods in the amount of 70,000-100,000 tons during the navigation season.

<http://www.vmtpru/en/press-tsentr/novosti/item/476-commercial-port-of-vladivostok-handled-the-first-ship-under-the-programme-delivery-of-cargo-to-the-northern-regions-2013>

Russian Railways Can Cut Freight Tariffs 22 Percent for Distances up to 1,100 km.

Russia's Federal Tariff Service (FTS) has given the okay for OJSC Russian Railways (RZHD) to lower tariffs by 22 percent for the transportation of freight for up to 1,100 kilometers.

"To stimulate growth in the hauling of cargoes by railway transport and to increase competitiveness, the possibility of lowering the upper boundary of the tariff corridor to 22 percent on distances of up to 1,100 kilometers is provided," the FTS said in a statement. Transportation in the RFE heavily relied on the railroad. This may become a stimulus for local distribution channels development.

<http://www.interfax.com/newsinf.asp?id=470877>

Global Ports Group Closes Deal to Buy 100% of National Container Company.

The Global Ports group completed the acquisition of 100 percent of the National Container Company Group (NCC Group), one of the largest container terminal operators in Russia on December 27, 2014, Global Ports said in a press release. As a result of the deal, the enlarged Global Ports group will operate nine container terminals with total marine container handling capacity of about 4 million TEU in the Baltic Sea and RFE basins, which are key gateways for Russian container cargo.

<http://www.interfax.com/newsinf.asp?id=470877>